

Message Text

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PAGE 01 TEL AV 09585 01 OF 02 281236Z
ACTION OES-09

INFO OCT-01 NEA-10 ISO-00 TRSE-00 EB-08 COME-00
CIAE-00 INR-10 NSAE-00 L-03 SP-02 /043 W
-----121485 281313Z /41
P 281147Z JUL 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC PRIORITY 4479

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 9585

STATE FOR OES; COMMERCE FOR ASST SEC BARUCH, TREASURY FOR
ASST SEC BERGSTEN

E. O. 11652: N/A
TAGS: TGEN IS
SUBJ: US-ISRAEL BINATIONAL INDUSTRIAL R&D FOUNDATION (BIRDF):
RADIO BROADCAST

1. FOLLOWING IS EMBASSY TRANSLATION OF 7:20 A.M. JULY 27
BROADCAST IN HEBREW ON COMMERCIAL RADIO FROM JERUSALEM.
QUOTE: AN ECONOMIC ISSUE IN THIS MORNING'S HEADLINES.
THE CONDITIONS OF EMPLOYMENT OF THE DIRECTOR OF THE
ISRAEL-US BINATIONAL FUND FOR RESEARCH AND DEVELOPMENT
ARE SCANDALOUS. THIS IS THE ATTITUDE OF ADMINISTRATION
OFFICIALS IN ISRAEL TO THE SALARY AND BENEFITS AMOUNTING
TO \$100,000 ANNUALLY WHICH THE FUND'S DIRECTOR, W.
BLACKMAN RECEIVES. THE CONTRACT FOR HIS EMPLOYMENT WAS
SIGNED THREE WEEKS AGO DESPITE ATTEMPTS TO DELAY THE
SIGNING. TODAY IT CAN BE REVEALED THAT OUR PARTNERS
IN THE FUND JA THE AMERICANS - WERE THE ONES WHO DICTATED
THE EMPLOYMENT OF THE MAN ON A BOOSTED SALARY. OUR
ECONOMIC AFFAIRS CORRESPONDENT, GID'ON ZELLINGER, REPORTS
ON THE AFFAIR.

2. (ZELLINGER) THE BINATIONAL FUND HAS \$60 MILLION. IT
DISTRIBUTES ITS FRUITS EVERY YEAR. IT WOULD BE MORE
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PAGE 02 TEL AV 09585 01 OF 02 281236Z

ACCURATE TO SAY THAT IT IS SUPPOSED TO DO THIS BECAUSE
UNTIL TODAY THE FUND HAS NOT EVEN APPROVED A SINGLE
PROJECT. ON THE OTHER HAND, ADMINISTRATIVE AND SALARY
EXPENSES AMOUNTING TO \$600,000 HAVE BEEN APPROVED.

3. HERE, AS AN EXAMPLE, ARE SOME DETAILS FROM MR
BLACKMAN'S CONTRACT OF EMPLOYMENT: A SALARY OF \$47,000

PER YEAR, A SUITABLE FURNISHED HOUSE INCLUDING A CLOTHES DRYER, A PENSION EQUAL TO 20 PERCENT OF THE SALARY, A SEPARATION GRANT OF THREE MONTHS, A COST OF LIVING GRANT, PAYMENT OF ISRAELI TAXES APPLYING TO THIS, LEGAL FEES, ACCOUNTANT'S FEES FOR THE PREPARATION OF A U S TAX DECLARATION AND A U S TAX REBATE WHICH MR BLACKMAN WILL HAVE TO PAY TO THE INCOME TAX AUTHORITIES THERE IF THESE PAYMENTS AND BENEFITS ARE REGARDED AS INCOME.

4. ACCORDING TO AN ESTIMATE PREPARED BY THE U S TREASURY, THESE CLAUSES WILL COST THE FUND \$196,000 IN THE NEXT TWO YEARS. ALL THIS IS EXCLUSIVE OF EXPENSES FOR FURNITURE, AN EXPENSE ACCOUNT AND THE PURCHASE OF A MODEST APARTMENT AT A COST OF \$250,000 - MR BLACKMAN IS AN AMERICAN. AN EXPENSE ACCOUNT AND THE PURCHASE OF A MODEST APARTMENT AT A COST OF \$250,000 - MR BLACKMAN IS AN AMERICAN. THESE SALARY CONDITIONS ARE HIGH EVEN IN COMPARISON WITH CUSTOMARY SALARIES IN THE U.S. THIS DISTURBED THE ISRAELI SIDE IN THE FUND.

5. HERE ARE SOME QUOTES FROM THE PROTOCOL OF THE DIRECTORATE'S MEETINGS: TREASURY DIRECTOR GENERAL AMIRAM SIVA: "THE PROBLEM WITH THIS CONTRACT IS THAT IT IS WAY ABOVE WHAT IS CUSTOMARY HERE" THE AMERICANS: "IF YOU HAVE TO EXPLAIN IT WE WILL HELP YOU - EVEN IN THE KNESSET." INDUSTRY DIRECTOR GENERAL AMOS MARHAIM: CONFIDENTIAL

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PAGE 03 TEL AV 09585 01 OF 02 281236Z

"I AM EMBARRASSED; IF WE SIGN THE CONTRACT WE WILL NOT DO SO WITH A SMILE." THE AMERICANS: "START LOOKING FOR THE NEXT DIRECTOR, HE MIGHT BE CHEAPER." AMIRAM SIVAN: "WE BELIEVE THAT IT IS WORTHWHILE RENTING AN APARTMENT FOR HIM INSTEAD OF ENTERING INTO A PURCHASE OF \$300,000." AMOS MARHAIM: "I LIVE IN A LUXURIOUS HOUSE IN JERUSALEM, IT DOES NOT COST MORE THAN \$75,000." THE AMERICANS: "THE PURCHASE IS IMPORTANT, MR BLACKMAN WILL ALSO BE ABLE TO WORK IN HIS HOUSE."

6. THE ISRAELIS WERE ANGRY. IN THEIR OPINION, COSTS OF THIS NATURE WERE OUT OF PLACE EVEN BEFORE A SINGLE PROJECT HAD BEEN APPROVED.

7. DESPITE THIS, THE CONTRACT WAS SIGNED. WHY? BECAUSE

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PAGE 01 TEL AV 09585 02 OF 02 281245Z
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC PRIORITY 4480

C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 9585

THIS IS WHAT THE AMERICANS WANTED. WE WERE FORCED
INTO IT, A SENIOR OFFICIAL SAID. WE COULD HAVE
BROUGHT A CHEAPER AMERICAN DIRECTOR NOT TO SPEAK OF
AN ISRAELI DIRECTOR.

8. MEANWHILE, THE FUND IS REACHING OUT IN THE FOG.
IN A MONTH'S TIME THE DIRECTORATE IS TO CONVENE FOR A
MEETING IN THE UNITED STATES. THE DIRECTORATE WILL
EXAMINE THE POSSIBILITY OF INCREASING THE RATE OF
GRANTING APPROVAL FOR PROJECTS. FOR THE TIME, ONE
PROJECT IS ON THE TABLE -- OF ORMAT FROM ISRAEL AND
GENERAL ELECTRIC IN THE UNITED STATES."

9. ON JULY 28 LAVIE DESCRIBED TO SCIATT ORIGIN OF
BROADCAST AS FOLLOWS. ON JULY 23, DIRGEN MININD
MARHAIM TOLD LAVIE THAT NEWS REPORTER ZELLINGER "HAD
SOMETHING ABOUT BIRDF". ON SAME DAY, ZELLINGER PHONED
LAVIE'S SECRETARY TO ASK IF LAVIE WOULD ANSWER QUESTIONS
ABOUT BLACKMAN'S CONTRACT. LAVIE DECLINED AND REFERRED
ZELLINGER TO PUBLIC AFFAIRS ASSISTANT TO MININDUSTRY
HURWITZ. ZELLINGER DID NOT CONTACT THE ASSISTANT
BUT BROADCAST HIS STORY JULY 27. THE SAME REPORTER DID
A STORY WHICH WAS EMBARRASSING TO LAVIE'S OFFICE SEVERAL
MONTHS AGO USING CONFIDENTIAL INFORMATION EMANATING
FROM OFFICE OF DIRGEN MINFIN SIVAN, WITH RESULT THAT
SIVAN SENT LAVIE OFFICIAL WRITTEN DENIAL OF
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PAGE 02 TEL AV 09585 02 OF 02 281245Z

OF ANY KNOWLEDGE OF HOW LEAK OCCURRED. THIS EXPERIENCE
CONTRIBUTES TO PRESENT SENSE OF OUTRAGE BY ISRAELI
GOVERNORS AND DETERMINATION TO FIND CULPRIT.

10. FOLLOWING JULY 27 BROADCAST, LAVIE, MARHAIN AND

SIVAN CONFERRED BY PHONE AND AT LAVIE'S REQUEST AGREED TO LIE DETECTOR TESTS FOR ALL ISRAELIS WHO HAD KNOWLEDGE NEEDED FOR THE STORY. LAVIE HAS WRITTEN LETTER TO MARHAIM AND SIVAN CONFIRMING THIS AGREEMENT AND HE PLANS TO REQUEST POLICE ACTION AS SOON AS OTHER TWO GOVERNORS HAVE WRITTEN AGREEMENT. SIX OR SEVEN PERSONS IN GOI AND STAFF OF BIRDF ARE ONLY ONES BELIEVED TO HAVE SUFFICIENT KNOWLEDGE TO MAKE THE LEAK.

11. REGARDLESS OF WHETHER CULPRIT IS FOUND, BROADCAST WILL INEVITABLY MAKE ISRAELI GOVERNORS, BIRDF AND BLACKMAN INCREASINGLY VULNERABLE TO POLITICAL ATTACK ON GROUNDS OF COST OF BLACKMAN AND ANY PERCEPTION THAT FOUNDATION IS NOT DOING WELL. THIS INCIDENT CLOUDS CURRENT U S - ISRAELI CONSIDERATION OF BLACKMAN'S CONTINUING EMPLOYMENT AND PROGRESS OF BIRDF. ISRAELI GOVERNORS LIKELY TO BE EVEN MORE INHIBITED ABOUT ANY DIRECT STATEMENT OF BLACKMAN'S DEFECTS BECAUSE OF PRESS LEAK WHICH IS THEIR FAULT. IT IS CLEAR THAT THEY DEEPLY REGRET IT.

12. EMBASSY HAS NO INDICATION THAT AN ISRAELI GOVERNOR WAS SOURCE OF LEAK AND HOPES THAT THIS INCIDENT NOT BE PERMITTED TO INTERFERE WITH IMPORTANT BIRDF MATTERS NOW BEING CONSIDERED. LEWIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RESEARCH, RADIO BROADCASTING
Control Number: n/a
Copy: SINGLE
Draft Date: 28 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TELAV09585
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780310-0206
Format: TEL
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t1978077/aaaaafvt.tel
Line Count: 194
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 454c0477-c288-dd11-92da-001cc4696bcc
Office: ACTION OES
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2037956
Secure: OPEN
Status: NATIVE
Subject: US-ISRAEL BINATIONAL INDUSTRIAL R&D FOUNDATION (BIRDF): RADIO BROADCAST
TAGS: TGEN, IS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/454c0477-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014